

Message Text

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PAGE 01 KINSHA 01424 181029Z

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ACTION AF-06

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 6549

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E.O. 11652: N/A

TAGS: ETRD EAGR

SUBJ: CONGRESSIONAL HEARINGS ON COFFEE PRICE INCREASES

REF: STATE 34044

1. SUMMARY: RETAIL PRICES OF IMPORTED COFFEE HAVE INCREASED TREMENDOUSLY IN LAST YEAR. GOZ TAKING A NUMBER OF MEASURES TO INCREASE COFFEE PRODUCTION AND EXPORTS. END SUMMARY.

2. A YEAR AGO, DOMESTIC RETAIL PRICE OF 200 GRAMS IMPORTED SOLUBLE COFFEE WAS Z0.60 (Z1 EQUALS \$2) OR \$2.72/LB. CHECK OF MAJOR RETAIL OUTLETS SHOWS 50G CONTAINER OF SAME BRAND NOW SELLING FOR Z1.30 OR \$23.64/LB. THIS REPRESENTS INCREASE OF 770 PERCENT. PRICES ON OTHER TYPES OF COFFEE AND OTHER SIZES OF CONTAINERS NOT AVAILABLE.

3. OFFICIALS AT ZAIRE'S STATE-CONTROLLED OFFICE NATIONAL DE CAFE (ONC) ESTIMATE THAT LESS (PEZKP MUCH LESS) THAN 10 PERCENT OF ZAIRE'S COFFEE OUTPUT IS LOCALLY CONSUMED. THIS COFFEE IS PROCESSED IN SMALL STATIONS AND RELIABLE FIGURES ON PRICES PAID BY THESE PROCESSORS FOR RAW COFFEE ARE NOT AVAILABLE.

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PAGE 02 KINSHA 01424 181029Z

4. EMBASSY'S AGATT ESTIMATES THAT PRODUCTION AND EXPORTS (IN

MILLIONS OF METRIC TONS) HAVE DIPPED AS FOLLOWS:

	1973/74	1974/75	1975/76
PRODUCTION	79	67	61
EXPORTS	80	46	59

PRODUCTION AND EXPORT SLUMPS WERE UNFORSEEN AND UNWANTED RESULTS OF GOVERNMENT POLICY WHICH NATIONALIZED MAJOR COFFEE PRODUCING PLANTATIONS AND WHICH CONCENTRATED MARKETING FUNCTIONS IN ONC. DROP IN QUALITY ACCOMPANIED FALL IN QUANTITY OF COFFEE PRODUCTION. SINCE JULY GOZ AND ONC HAVE TAKEN SEVERAL MEASURES TO INCREASE PRODUCTION AND EXPORTS. ALTHOUGH GOZ AND ONC WELL AWARE THAT BRAZILIAN FROST MAKES SHORT RUN PRICE PROSPECTS FAVORABLE FOR INCREASE IN PRODUCTION AND EXPORTS, DOMESTIC PRESSURES STEMMING FROM THE FAILURE OF ZAIRIANIZATION APPEAR TO HAVE BEEN A BIGGER FACTOR IN STIMULATING THE FOLLOWING CHANGES:

A. INCREASE IN MINIMUM PRODUCER PRICES: GOZ DETERMINED MINIMUM PRODUCER PRICES WERE BOOSTED BY AVERAGE OF ABOUT 10 PERCENT. ANOTHER INCREASE MAY BE MADE DURING THIS GROWING SEASON. SELECTED MINIMUM PRICES IN CENTS/LB:

	BEFORE 7/31/75	AFTER 7/31/75
ROBUSTA (HIGH QUALITY)	58	62
ARABICA (HIGH QUALITY)	72	80

B. FLEXIBLE PRICING POLICY: GOZ ON VERGE OF IMPLEMENTING NEW PRICING FORMULA THAT WOULD EXPLICITLY LINK PRODUCER PRICE OF EXPORT QUALITY COFFEE TO FOB EXPORT PRICE MINUS COSTS OF DOMESTIC TRANSPORT AND HANDLING.

C. IMPROVED COLLECTION: ONC NO LONGER REQUIRES THAT PRODUCERS DELIVER THEIR OWN COFFEE; ONC HAS RAISED TRANSPORT ALLOWANCE TO TRUCKERS BRINGING COFFEE FROM SMALL PRODUCERS TO ONC DEPOTS.

D. LIBERALIZED EXPORT LICENSES: SOME EXPORTERS NOW MAY EXPORT DIRECTLY RATHER THAN THROUGH ONC.

E. RESTITUTION OF NATIONALIZED PLANTATIONS: GOZ HAS RETURNED 40 PERCENT OWNERSHIP TO FOREIGN OWNERS OF SEVERAL NATIONALIZED PLANTATIONS.

F. REDUCTION OF EXPORT TAXES: GOZ STUDYING PROPOSAS TO REDUCE EXPORT TAXES AND CHARGES ON COFFEE.

6. ONC OFFICIALS HAVE ADVISED US THEY INTEND TO INCREASE QUANTITY AND QUALITY OF ZAIRIAN COFFEE EXPORTS AS RAPIDLY AS POSSIBLE. REVITALIZATION OF COFFEE INDUSTRY IS KEY TO BROADER GOZ POLICY TO RAISE RURAL INCOMES. PRESENTLY 60 PERCENT ZAIRIAN COFFEE PRODUCED LIMITED OFFICIAL USE

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PAGE 03 KINSHA 01424 181029Z

BY SMALL PEASANT FARMERS AND ONLY 40 PERCENT BY LARGE SCALE PLANTATIONS. ONC BELIEVES PROPORTION PRODUCED BY PEASANT FARMERS WILL SOON INCREASE TO 80 PERCENT.
WALKER

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